



SUBJECT: 2024 Development Charges Background Study

TO: Corporate Services, Strategy, Risk & Accountability Cttee.

FROM: Finance Department

Report Number: F-04-24

Wards Affected: All

Date to Committee: May 14, 2024

Date to Council: May 21, 2024

Recommendation:

Approve the City of Burlington 2024 Development Charges Background Study dated March 22, 2024, attached as Appendix A to finance department report F-04-24, under section 10 of the Development Charges Act, 1997 (the DCA); and

Approve the capital project listing set out in Chapter 5 of the Development Charges Background Study dated March 22, 2024; and

Approve the proposed Development Charges By-law with an effective date of June 1, 2024 as set out in Appendix G of the Development Charges Background Study dated March 22, 2024; and

Determine that no further public meetings are required in accordance with Section 12 of the Development Charges Act, 1997; and

Repeal by-law 29-2019, and amending by-law 26-2022 effective June 1, 2024.

PURPOSE:

Respond to legislation.

This report provides an overview of the proposed City of Burlington's development charges (DC) contained in the City's 2024 Development Charges Background Study (the Study) dated March 22, 2024, and proposed by-law. Also, the report repeals the existing by-law 29-2019, and amending by-law 26-2022 effective June 1, 2024.

The city retained Watson & Associates Economists Ltd. to work with staff to prepare a background study as required by the *Development Charges Act, 1997* (DCA). The background study and the associated by-law are distributed under separate cover to this report.

At the time of writing this report, the province proposed changes to the DCA under Bill 185, *Cutting Red Tape to Build More Homes Act*, and to Ontario Regulation 82/98 under the DCA on April 10th, 2024, however, legislation has not yet been passed. The proposed changes are highlighted later in the report, and its impacts on this 2024 DC Background Study.

Vision to Focus Alignment:

- Increase economic prosperity and community responsive city growth.
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Background and Discussion:

The City of Burlington's current DC by-law 29-2019, amended by by-law 26-2022 will expire June 1, 2024; consequently, a new by-law must be enacted by this date. Council has received the following reports as it relates to the Study to date.

- On May 31, 2023 (F-21-23), Council received the 2024 City of Burlington Development Charges Process report.
- On November 1, 2023 (F-25-23), Council endorsed the growth assumptions for the Study.

Section 1.3 of the Study provided by Watson & Associates (under separate cover) provides a summary of the changes to the DCA that have been incorporated into the Study and By-law.

Development Charges are fees imposed by municipalities on development and redevelopment to recover the municipality's net growth-related capital costs of eligible services. The DCA legislates the process to be undertaken by a municipality to impose development charges. The simplified process is as follows:

1. Prepare a DC background study which identifies:
 - A forecast of the amount, type and location of the anticipated development;
 - The average service levels provided by the city over the 15-year period immediately preceding the preparation of the background study and planned level of service for transit services over the 10-year forecast period;
 - The increased need for services attributable to the anticipated development, identifying the capital projects to be undertaken to meet the

need and a determination of the growth and non-growth components of the capital projects, including a forecast of transit ridership and assessment of capacity over the period; and

- An examination of long-term capital, operating costs, and asset management plan for the infrastructure required for each service to which the DC by-law would relate.
2. Prepare a DC by-law.
 3. Hold at least one public meeting, giving at least 20 days' notice of the meeting in the newspaper, and ensuring that the proposed by-law and background study are available to the public at least 2 weeks prior to the meeting and 60 days prior to by-law approval.
 4. Council approval of the DC By-law.

Staff Directions:

Council passed the following staff direction:

- 1) *Direct the Chief Financial Officer to review and report back, as part of the 2024 development charges as a tool to incent affordable housing units in consideration of recommendations from the approved Housing Strategy, the Ontario Housing Affordability Task Force report and discussion and feedback from the Region of Halton (SD-06-22, March 2, 2022).*

Bill 134 received royal assent on December 4, 2023, which provides updated definitions to affordable housing including an income-based measure for both rental and owned affordable units. Once proclaimed affordable and attainable residential units will receive full exemption. Furthermore, the Province has also introduced discounts for rental housing developments that range from 15% to 25% based on the number of bedrooms in each unit. As per Bill 185 (backgrounder) the Affordable Residential Unit Bulletin will be published on June 1, 2024, by the Minister of Municipal Affairs and Housing (MMAH) to put these exemptions into effect. Staff are not proposing any further changes to address affordability in this background study, given the release of the bulletin and other continual changes proposed through provincial legislation surrounding housing incentives outside of DCs. Affordable housing exemption based on the More Homes Built Faster Act definition and growth forecast assumptions in the city's 2023 Parkland Dedication By-Law Review is estimated at \$43.7 million (21% of forecast DC revenues) in lost DC revenues during the 10-year term of the bylaw.

Affordable housing is very much at the forefront of provincial legislation, and furthermore a priority at the municipal level. Planning staff are working on a multitude of projects that support growth in the city while navigating a continually changing political landscape.

DCs are one tool in an array of mechanisms to incent affordable housing; a number of these projects are currently underway, including but not limited to.

- Implementing the Actions of the City's [Housing Strategy](#)
- Implementing the 7 Initiatives of the City's Housing Accelerator Fund [Action Plan](#)
- Implementing Council's [Motion](#) to implement 4-units as of right
- Bringing forward the [City's Major Transit Station Area, Area Specific Plan and Community Planning Permit Bylaw](#)

It is important to note that any exemptions reduce the city's ability to collect DC revenue and puts greater pressure on the use of tax supported funds to ensure growth related infrastructure is provided for in a timely manner.

Strategy/process/risk

The Study includes a historical view of the eligible infrastructure that has been in place providing the City's program and services, as well as a planned level of service view for transit services over the 10-year forecast period. Based on that information and the population and employment growth expected, the Study determines the DC rates that are required to recover the costs of infrastructure arising from the increase in need for service of new development to the extent permissible by the DCA.

The DC background study includes gross capital costs of \$791.1 million that have been identified through various expressions of Council to address the increase in need for service attributable to the anticipated development. These expressions include various Master Plans (including the Integrated Mobility Plan, Parks Provisioning Master Plan, Parks & Forestry/Transit Campus Master Plan, and Fire Master Plan), the City's 2024 Capital Budget and Forecast, the Multi-Year Community Investment Plan, Transit 5-Year Business Plan, and prior City D.C. Background Studies. After accounting for all legislated deductions, the net growth-related costs included in DC calculations is approximately \$544.7 million, representing 69% of the gross capital costs.

The calculated schedule of residential and non-residential development charges is highlighted by development type in Table 1 as follows:

Table 1: 2024 City of Burlington Development Charges – Full Calculated Rate

| | Full Calculated Rate |
|--------------------------------|-----------------------------|
| RESIDENTIAL | |
| Single Family Dwelling | \$28,432 |
| Apartments (2 Bedrooms+) | \$15,150 |
| Apartments (1 bedroom) | \$11,455 |
| Multiples (3 or more bedrooms) | \$22,557 |
| Multiples (2 bedrooms or less) | \$16,244 |
| Special Care | \$9,259 |
| NON-RESIDENTIAL | |
| (per square metre) | \$205.70 |

Subject to the legislative process in regard to Bill 185 proposed amendments to the DCA, the Act currently requires that charges imposed under a new by-law be phased in over a 5-year period, as follows:

- Year 1 – 80% of the maximum charge
- Year 2 – 85% of the maximum charge
- Year 3 – 90% of the maximum charge
- Year 4 – 95% of the maximum charge
- Year 5 to expiry – 100% of the maximum charge

Therefore, to provide an accurate comparison of the impact of the calculated charges, Table 2 provides the full calculated rate, adjusted to the permitted Year 1 amount at 80% of the maximum charge compared to the current rates as of April 1, 2024. The mandatory phase-in is expected to represent \$8.1 million (4% of forecast DC revenues) in lost DC revenues during the first four years of the bylaw. This is based on the anticipated development and underlying growth forecast assumptions included in the Study.

Table 2: 2024 City of Burlington Development Charges – Year 1 Phase-In

| | Full Calculated Rate | Calculated Rate at 80% (Year 1) | Current Rate April 1, 2024 | Change \$ |
|------------------------------------|-----------------------------|--|-----------------------------------|------------------|
| RESIDENTIAL | | | | |
| Single Family Dwelling | \$28,432 | \$22,746 | \$20,284 | \$2,462 |
| Apartments (2 Bedrooms+) | 15,150 | 12,120 | 10,316 | 1,804 |
| Apartments (1 bedroom) | 11,455 | 9,164 | 7,600 | 1,564 |
| Multiples (3 or more bedrooms) | 22,557 | 18,046 | 14,604 | 3,442 |
| Multiples (2 bedrooms or less) | 16,244 | 12,995 | 11,562 | 1,433 |
| Special Care | 9,259 | 7,407 | 6,523 | 884 |
| NON-RESIDENTIAL (per sq.m.) | | | | |
| Retail | \$205.70 | \$164.56 | \$182.04 | (17.48) |
| Non-Retail | | | \$103.18 | 61.38 |

Residential Development Charge

Table 3 highlights the residential large apartment (2 bedrooms +) dwelling DC by service comparing the Year 1 permitted rate (including mandatory phase-in) to the current rate as of April 1, 2024. As a result of the update, the DC for a residential large apartment (2 bedrooms +) dwelling unit that would be in effect June 1, 2024, is \$12,120, a \$1,804 increase (or 17.5%) from the current residential DC rate of \$10,316.

Table 3: Residential Development Charges – Apartment (Bedroom 2+)

| Service | Residential per Apartment (2+ bedrooms) | | | |
|-----------------------------|--|--|------------------------------|------------------|
| | Full Calculated Rate | Calculated Rate at 80% (Year 1) | Current April 1, 2024 | \$ Change |
| Transportation | \$10,585 | \$8,468 | \$5,213 | \$3,255 |
| Storm Drainage | 93 | 74 | 1,063 | (988) |
| Fire Protection | 1,086 | 869 | 110 | 759 |
| Transit | 862 | 690 | 420 | 270 |
| Parks and Recreation | 2,388 | 1,910 | 3,011 | (1,101) |
| Library | 136 | 109 | 482 | (373) |
| Studies | | | 18 | (18) |
| Total | \$15,150 | \$12,120 | \$10,316 | \$1,804 |

Non-Residential Development Charges

The city currently imposes separate non-residential charges for retail and non-retail developments. This is based on prior DC background study assumptions of greater transportation needs for retail development as compared to non-retail development. The Study proposes to impose a uniform non-residential charge based on the anticipated transportation needs in the City’s Integrated Mobility Plan (IMP), among other rationale provided later in the report.

Table 4 highlights the retail DC by service per square metre (sq.m.) of gross floor area. The non-residential uniform DC that would be effective June 1, 2024, is \$164.56 per sq.m., a decrease of \$17.48 per sq.m. from the current retail DC rate of \$182.04 per sq.m.

Table 4: Non-Residential Development Charges – Retail

| Service | Non-Residential Retail (per sq. m.) | | | |
|----------------------|-------------------------------------|---------------------------------|-----------------------|------------------|
| | Full Calculated Rate | Calculated Rate at 80% (Year 1) | Current April 1, 2024 | \$ Change |
| Transportation | 164.47 | 131.58 | 160.98 | (29.40) |
| Storm Drainage | 3.01 | 2.41 | 6.60 | (4.19) |
| Fire Protection | 16.47 | 13.18 | 2.19 | 10.98 |
| Transit | 13.13 | 10.51 | 8.57 | 1.94 |
| Parks and Recreation | 8.18 | 6.54 | 2.86 | 3.68 |
| Library | 0.43 | 0.34 | 0.46 | (0.12) |
| Studies | - | - | 0.37 | (0.37) |
| Total | \$205.70 | \$164.56 | \$182.04 | \$(17.48) |

Table 5 highlights the non-retail DC by service per sq.m.. The non-residential uniform DC that would be effective June 1, 2024, is \$164.56 per sq.m., an increase of \$61.38 from the current retail DC rate of \$103.18 per sq.m.

Table 5: Non-Residential Development Charges – Non-Retail

| Service | Non-Residential Retail (per sq. m.) | | | |
|-----------------------------|-------------------------------------|---------------------------------|-----------------------|----------------|
| | Full Calculated Rate | Calculated Rate at 80% (Year 1) | Current April 1, 2024 | \$ Change |
| Transportation | \$164.47 | \$131.58 | \$82.13 | \$49.45 |
| Storm Drainage | 3.01 | 2.41 | 6.60 | (4.19) |
| Fire Protection | 16.47 | 13.18 | 2.19 | 10.99 |
| Transit | 13.13 | 10.51 | 8.57 | 1.94 |
| Parks and Recreation | 8.18 | 6.54 | 2.86 | 3.68 |
| Library | 0.43 | 0.34 | 0.46 | (0.12) |
| Studies | - | - | 0.37 | (0.37) |
| Total | \$205.70 | \$164.56 | \$103.18 | \$61.38 |

The proposed change to a uniform non-residential rate is an important policy issue. The change puts initial upward pressure on non-retail developments, however in the long-term provides a balanced non-residential rate in the city that reflects the increase in need for service as determined by the IMP. Historically, the distinction in the non-residential rate was based on impacts of vehicular kilometers traveled for retail vs. non-retail development types. Based on the city’s recently approved IMP, the future network improvements are based on an increase in non-automotive mode share. Considering this change and available information underlying the IMP the previous methodology is not as defensible and therefore not being recommended.

Furthermore, given the increase in population forecasted it is important that the city gives equal importance to retail developments which are generally population related and more captive to high density populations (e.g. MTSA’s) than non-retail uses.

A uniform non-residential rate is generally more in line with the approach of other Ontario municipalities (e.g. Oakville). In a survey of other municipalities, the city’s proposed rate for non-retail developments, though increasing by 59% on June 1st, is still ranked competitively.

Financial Matters:

The following table summarizes the City of Burlington Year 1 phased-in DC rates that will take into effect on June 1, 2024.

| | Rate Effective June 1, 2024 |
|--------------------------------|--|
| RESIDENTIAL | |
| Single Family Dwelling | \$22,476 |
| Apartments (2 Bedrooms+) | \$12,120 |
| Apartments (1 bedroom) | \$9,164 |
| Multiples (3 or more bedrooms) | \$18,046 |
| Multiples (2 bedrooms or less) | \$12,995 |
| Special Care | \$7,407 |
| NON-RESIDENTIAL | \$164.56 |
| (per square metre) | |

Bylaw Term

As a result of Bill 23, DC bylaw terms have a mandatory extension from five years to ten years. While the city is permitted to review the DC bylaw prior to the ten-year period, staff will undertake an assessment prior to undertaking a DC background study to determine if any changes to capital costs, and/ or growth assumptions are substantive enough to warrant a new bylaw.

Senior Government Funding

Development charges is one of the city's growth funding tools to build growth related infrastructure in the city. Recently, there have been a number of provincial changes to DCA. To date, the province has announced the \$1.2B Building Faster Fund that is available to municipalities to assist with infrastructure requirements.

The city continues to advocate for senior government funding to support the infrastructure required to build complete communities. In January 2024, the City secured \$21 million of funding through the Canada Mortgage and Housing Corporation (CMHC)'s Housing Accelerator Fund (HAF). This program provides funding directly to municipalities across the country to incentivize and support initiatives that will accelerate the supply of housing. The City will utilize this funding to implement the seven initiatives of the Action Plan identified in the City's Housing Accelerator Fund application, including the

construction of required development related municipal infrastructure. This work is currently underway, more details about this work can be found in report [CS-04-24 Housing Accelerator Fund Implementation](#) presented to Committee of the Whole on March 4, 2024.

The Study includes grants where applicable as an appropriate deduction, primarily within Transit services.

Bill 185, Cutting Red Table to Build More Homes Act, 2024

The Minister of Municipal Affairs and Housing (MMAH) made a provincial announcement on April 10th. The announcement focused on changes that from the Minister's perspective are targeted measures to get shovels in the ground and build homes faster, done through provincial consultation with municipalities and homebuilders. At the time of writing this report the proposed changes have not passed. The proposed changes are listed below along with the impact to the Study and proposed bylaw should the legislation be passed.

- **Mandatory Phase In:** Bill 185 proposes eliminating the DC phase-in period that was introduced in Bill 23. In an economy with high interest rates, there has been a rapid increase in infrastructure costs. The DC revenue decline because of the mandatory phase-in impacts building timely infrastructure required for expected future growth.

Impact: Upon passage of the Bill, the city would implement the full calculated DC rate as shown in Table 1 of this report. Section 33 of the city's bylaw would be removed. For site plan and zoning by-law amendment applications that were made prior to Bill 185 receiving Royal Assent, the charges payable will be the charges in place on the day the planning application was deemed complete (including phase-in).

- **Eligible Capital Costs:** Bill 185 proposed that the definition of eligible capital costs be revised to reinstate studies. This will allow for funding of the DC background study, and master plans.

Impact: Staff will incorporate a listing of studies that will support funding of master plans, DC background studies and similar studies that inform the capital costs for the DC background study. This will be dependent on the timing on which Bill 185 comes into force.

- **DC Rate Freeze Timeframe:** Bill 185 proposes that the eligible DC freeze period for site plan applications and zoning bylaw amendments be reduced from two years to 18 months. The DC rates for these developments were frozen at the rates in effect the date the planning applications were deemed complete. If the DC

payable is more than 18 months from the approval date of the site plan or zoning bylaw amendment the DC rate freeze will no longer apply.

Impact: Staff have amended section 34(d) of the city's bylaw with respect to DCA timing as it pertains to grandfathering provisions. Any site plan and zoning bylaw amendment applications received prior to the passing of Bill 185 are subject to the 2-year timeframe as per transition provisions.

- **Public Notices:** The proposed regulatory changes would modernize public notice requirements by allowing municipalities to provide notice on a municipal website if a local newspaper is not available.

Impact: May impact the city's process for a future DC background study. As the Burlington Post no longer is in circulation, and for the Study notice was provided in the Hamilton Spectator and the city's website.

- **Affordable Residential Unit Exemption:** Bill 185 has indicated that this exemption as revised through Bill 134 will come into force on June 1, 2024, and that the Affordable Residential Units Bulletin will be posted on Ontario.ca. No information on attainable unit exemptions has been provided at this time.

Impact: The Study incorporates the exemptions into the bylaw and no further changes are required to the study and proposed bylaw.

As part of Bill 185, is the ability for municipalities to make minor amendments to DC bylaws to align with legislative changes without the significant administrative requirements of undertaking a background study and public process. Therefore, in summary, if Bill 185 comes into force prior to June 1, 2024, staff will amend the bylaw to remove the mandatory phase-in and consider filing an addendum to the DC background study to include studies or undertake a full amendment process at a later date. This will be dependent on timing. However, if Bill 185 passes after this date, the city has 6 months to amend the bylaw (remove mandatory phase-in and include capital costs of studies) without adhering to the full requirements of section 10 through 18 of the DCA.

The changes to the DCA from a policy perspective support affordability and coupled with further announced changes to the Planning Act will contribute to generating housing supply. The provincial announcement is an effort to strike a balance between past and current changes for positive benefit to the housing market.

Affordability is a big part of the discussion surrounding future growth in housing. It is generally considered that development charges are less than 10% of the price of a new home. Whereas, increasing cost of materials, labour shortages among construction

trades, elevated interest rates, and aggressive land costs to name a few are much more significant factors. The city's calculated DC rate is in consideration of growth-related capital infrastructure needs as endorsed by Council to support expected future growth. The province has made substantive legislation changes to the DCA over the last number of years, and more recently through Bill 185 to support the supply of affordable housing, not limited to full exemptions for affordable/ attainable housing units and non-profit housing and discounts on rental housing.

Climate Implications:

Not applicable.

Engagement Matters:

As part of the approval process of the Study and proposed By-law, the City has consulted with the DC Strategy Committee (senior staff) and Consultation Committee (representatives from the public, development industry and council members).

The draft DC charge, process and proposed policy changes were presented and reviewed by the Consultation Committee over two (2) meetings on: March 8, 2024, and April 4, 2024. The following were the main points of discussion from the meeting which were addressed:

- Clarity around the mandatory phase-in and quantify funding shortfall.
- Quantify funding shortfall attributed to affordable housing exemptions.

The other main area of discussion was the proposal to move towards a uniform non-residential rate from the current non-residential distinction between retail and non-retail. The primary concern was surrounding the increase to existing non-retail rate and the affect this may have on impacting non-retail developments (commercial, institutional, industrial). A meeting with a sub-group of the consultation committee occurred on April 15th, 2024, that provided greater clarity and justification for the city to move forward with a uniform rate, as outlined in this report.

The Study and proposed by-law was released on March 22, 2024, on the city's website, as well on the city's Konveio platform, allowing the public to provide comments directly into the Study. The release date was communicated by staff as follows:

- Social Media Posts
- Email to HDLC
- Get Involved Burlington Newsletter
- City's website

Four (4) comments were received through the Konveio platform over a 4-week period and are summarized in Appendix B. Hard copies of the background study document could also be requested at Clerks.

In accordance with the DCA, staff advertised the DC public meeting of May 14, 2024, in the Hamilton Spectator newspaper on April 15th, 2024, and the Public Notices website. Additionally, timelines are posted on the City's DC website.

Upon approval of the proposed DC bylaw, the City is required to publish notice to communicate passage of the by-law (20 days after passage) and a pamphlet no later than 60 days after June 1, 2024.

The last day for appealing the by-law is July 2, 2024, 40 days after Council approval.

Conclusion:

Municipal development related costs, such as DCs, are required to pay for growth related infrastructure, as such these costs are continually reviewed to ensure the cost of providing infrastructure is appropriately and adequately funded.

This report provides an overview of the process and proposed DCs for the public meeting on May 14, 2024. The bylaws are scheduled to proceed to Council for approval on May 21, 2024, with an effective date of June 1, 2024.

Respectfully submitted,

Reena Bajwa

Manager of Financial Strategies & Business Consulting

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Appendices:

- A. City of Burlington 2024 Development Charges Background Study dated March 22, 2024 (can be accessed at [burlington.ca/meetings](https://www.burlington.ca/meetings))
- B. Summary of Public Comments – Konveio Platform
- C. Developers Comments

Report Approval:

All reports are reviewed and/or approved by Department Director, the Chief Financial Officer and the Executive Director of Legal Services & Corporation Counsel.